

Grants Made Easy: How to Ensure A Successful Audit

OIG Overview

Investigations

Types of Cases

Assistance Agreement Fraud

Roles & Responsibilities





- “There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.”

Benjamin Franklin

History of Inspector Generals?

- 1668: French Army
- 1777: Continental Congress
- 1862: Northern Army in Civil War
- 1978: Inspector General Act
 - 57 Statutory IG's/ www.ignet.gov

OIG OVERVIEW

Authority: Inspector General Act of 1978, as amended, allows for the IG to conduct audits and investigations into fraud, waste, and abuse within the EPA.

Overall Goal: To provide audit, evaluation, investigative, and advisory services resulting in improved environmental quality and human health.



OIG's THREE MAJOR FUNCTIONAL AREAS

- **OFFICE OF AUDIT**
 - Responsible for performance, compliance, financial, and investigative support audits
- **OFFICE OF PROGRAM EVALUATIONS**
 - Responsible for systematic evaluations of agency programs for efficiency
- **OFFICE OF INVESTIGATIONS**
 - Responsible for administrative, criminal, civil, and special project investigations

DOONESBURY

By GARRY TRUDEAU





INVESTIGATIONS HOMELAND SECURITY ACT

GS-1811 Criminal Investigators (Special Agents)

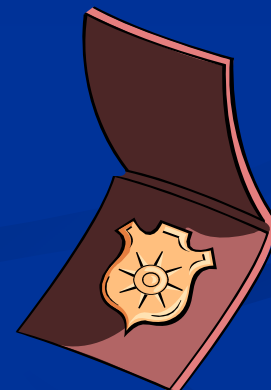
Administer and take Oaths

Serve Subpoenas

Authority to

- Carry Firearms
- Make Arrests
- Execute Warrants

Investigate and present cases to the Department
of Justice





INVESTIGATIONS

15 Offices Nationwide

44 Special Agents (Field)

200+ Investigations

Avg. FY 03 recovery - \$11+ Million per Agent

Indictments in FY 03: 26

Convictions in FY 03: 16





OIG or Criminal Investigation Division (CID)

- **OIG investigates crimes against the EPA**
- **CID investigates crimes against the environment**



ELEMENTS OF FRAUD

1. A Representation
2. About a Material Point
3. Which is False
4. Intentionally
5. Which is believed and Acted Upon
6. To the Victim's Damage



CASE CATEGORIES INVESTIGATED

1. Contract Fraud
2. Assistance Agreement
Fraud 20%
3. Program Integrity
4. Employee Integrity
5. Other (Stolen Property,
Identity Theft, etc)
6. Laboratory Fraud
7. Computer Crimes





Most complaints concern AA recipients in these three areas:

1. Office of Water

- SRF program concerns 33% of all AA investigations

2. Tribal Programs

3. Office of Air





TOP CASE TYPES:

1. False Statements (Applications, Financial / Progress Reports)
2. Embezzlement (State Officials, bookkeepers)
3. Wire Fraud (draw downs)
4. False Claims (at project level / construction / sub contract)
5. Anti-trust

FRAUD INDICATORS

Fraud indicators are clues that may warrant further review of a specific area or activity. Some of the indicators of fraud include:

- One person in control,
- No separation of duties,
- Lack of internal controls,
- No prior audits,
- High turnover of personnel,

FRAUD INDICATORS (cont.)

- Unexplained entries in records,
- Unusually large amounts of payments for cash,
- Inadequate or missing documentation,
- Altered records,
- Non-serial number transactions,
- Inventories and financial records not reconciled,
- Unauthorized transactions.

FRAUD INDICATORS (cont.)

- While the above occurrences are indicators of fraud, they could also be indicators of weak or poor business practices without actual fraud occurring; but such indicators can often lead to opportunities to commit fraud.

Grant Fraud: Big Picture Continuum

Blissfully
Unaware

Intentional
Ignorance

Criminal
Intent

Repayment

High Risk Grantee

Reimbursement

Stop Work Order

Termination

Compliance
Agreement

Suspension &
Debarment

Civil Penalties

Criminal
Prosecution

Administrative Remedies

Criminal & Civil
Remedies

GAD

OFFICE OF INVESTIGATIONS

OFFICE OF AUDIT



Grandma Moses



Al Capone



Types of Grant Fraud

Generally some ruse or artifice to perpetrate the grant fraud and minimize detection while giving it the appearance of legitimacy

- Payroll Padding
- Ghost Employees
- Salaries given to relatives of friends who are not working on grant
- Double/Excessive Billing
- False Travel Vouchers





Types of Grant Fraud (cont.)

- Plagiarism of Research/Work
- Lobbying
- Submitting False Data
- Collusion between the grantee recipient and the government representative
- Not doing any of the funded work and grantee fugitates with the funds
- Conflict of interest concerning “arm’s length transactions”
- Providing services to non-eligible recipients
- Payment of Personal Expenses

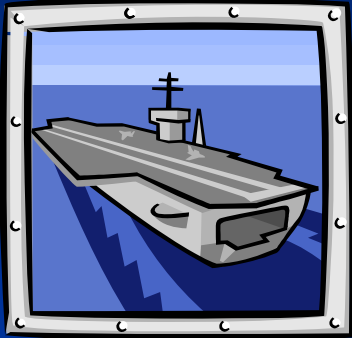


INVESTIGATIVE LEADS

- 33 percent originate from grant specialists and project officers
 - Project Officer Reviews
 - Progress Reports
 - Desk Reviews
 - On-site Reviews
- Other Law Enforcement Agencies
- Hotline
- Former or current employees

LABOR COST MISCHARGING

DOD



STATE/PRIVATE



EPA GRANT



Work performed
here.....



ABC, Inc

\$\$

...but billed over here

FALSE CLAIMS & COSTS NOT INCURRED

(EPA GRANTS AND SUBSEQUENT CONTRACTS)



Projects never completed

A dam was not constructed but an ACH drawdown was submitted for it

Equipment never provided

Lab equipment was not purchased but an ACH drawdown was submitted for it

INFLATED RATES & UNALLOWABLE EXPENSES

(EPA GRANTS AND/OR SUBSEQUENT CONTRACTS)

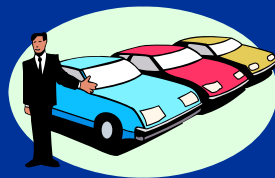
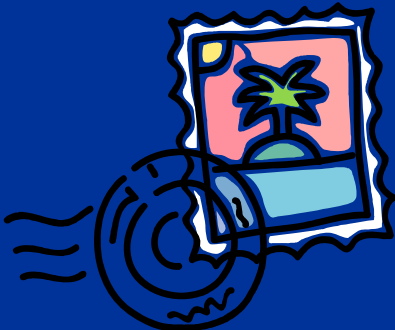
EPA



Personal or unallowable
expenses billed as legitimate



Excessive consultant
rates



PO reported \$9,000 in EPA funds
used to pay city trash pickup bill

CONFLICT OF INTERESTS & LEASING SCAMS

Related parties and family members

No divestiture
of control

No arms-length
transaction

No financial
separation

8(a) or
MBE “front”

Lobbying issues-using
non-profit companies
to use as pass-through to
for-profit companies



OBSTRUCTION OF FEDERAL AUDIT

It is a crime for anyone to impede, obstruct, or influence an audit of a federal grant/contract



- *Federal Auditor (GAO or OIG) or quality assurance inspection (OGD)

- *U.S. Government programs over \$100,000 value

- *Intent to obstruct, impede or influence the audit

Destruction of Documents
Alteration of Records
Harassment or Threats

18 U.S.C. 1516

BRIBERY/KICKBACKS

18 U.S.C. 201/9 U.S.C. 927



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EPA Grant

“Bribery” is a payment made to encourage an act to occur.

“Kickbacks or Gratuities” are payments that are made from the profits or windfall gained as a result of the act occurring.

If offered a bribe, be non-committal. Report to nearest
OIG Investigations Office immediately

BRIBERY

*Level 15 PO accepted
bribes from contractor

ILLEGAL PAYMENTS MADE AS:

Gifts, travel, entertainment

Cash

Checks and other financial instruments

Hidden Interests

Loans

Payment of bills and expenses



Debarments and Suspensions

- Provides authority to suspend or debar any “person” from participation in any Federally assisted project if necessary to protect the gov’t’s interest
- This action can be pursued concurrently with criminal and civil cases

SUMMARY OF DO'S AND DON'TS

1. Do discuss your concerns with OIG.
2. Don't feel compelled to "prove" case or intent
3. Do seek answers to your questions in the normal course of business
4. Don't "tip off" subjects of actual or pending investigation
5. Do cooperate with OIG and expect to be contacted and involved
6. Don't "stop" your normal course of business unless otherwise directed
7. Don't try to save a grantee who is committing fraud

YOUR ROLE

- Investigations needs you to be the eyes and ears and help identify and report activity which may be fraudulent.
- Your efforts are critical to a successful EPA program.
- There is no way that we can be everywhere, every time.
- Please report fraud activity to our office.

Financial Fraud Directorate
Desk Officer: Assistance Agreement Investigations

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GRANT FRAUD AWARENESS



Questions?